



County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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Chief Administrative Officer

Board of Supervisors
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First District

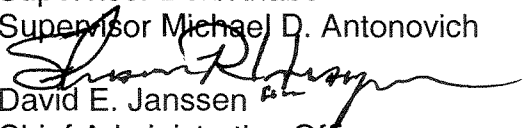
YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

August 6, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich
From: 
David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

State Budget Report

The Governor signed the budget bill, AB 1765, on Saturday after making minimal use of his blue pencil to cut about \$1 million from the \$98.9 billion appropriated in the bill. None of his reductions impact the County. Based on the assumptions on which the budget is based, the budget spends \$7 billion less than in FY 2002-03, has a reserve of around \$2 billion, and a projected deficit in FY 2004-05 of approximately \$8 billion. A summary prepared by the Legislative Analyst, Major Features of the 2003 California Budget, is available at www.lao.ca.gov.

Unfinished Business

While a FY 2003-04 State Budget is now in place, there are still some loose ends that will need to be tied up when the Legislature returns from its recess on August 18. The most significant are the changes made by the Assembly to the budget plan adopted by the Senate. These changes, most of which will have to go back to the Senate for approval before they are final, were made in various Senate bills. These changes include the following which impact the County:

- Restoration of \$16.1 million for the Standards and Training for Corrections Program, which would avoid a loss of \$3.6 million to the Probation and Sheriff's Department;

- Reduction in the amount of the ERAF transfer by redevelopment agencies from \$250 million to \$135 million which would reduce the loss to the County's agency to approximately \$100,000; and
- Failure to act on the Senate approved trailer bill eliminating counties' ability to charge booking fees as well as the continuing appropriation to reimburse cities and special districts for these fees, which are budgeted at around \$800,000 in the County budget.

The booking fee action does not require approval by the Senate.

VLF "Gap Loan"

There is still some uncertainty about the size of the "gap loan" that local governments are involuntarily making to the State. Higher VLF rates will become effective October 1, 2003. Consequently, local governments, whose final backfill payment in July only covered 19 days of June, will not receive a full month of increased revenue until November. Renewal notices at the higher rate started being mailed on August 1, 2003. The Department of Finance estimates based on historical patterns that a substantial number of people will pay their bills prior to their October due date, providing an early increase in revenue from the higher rates that will reduce the loss to local governments from the elimination of the backfill. According to the Department of Finance, the estimated net loss to local governments, including the partial backfill payment in July, will be \$825 million.

Using the Finance Department numbers, the California State Association of Counties (CSAC) has prepared preliminary estimates of the gap amount for each county, as well as the amount of additional realignment funding that will result from the increase in the realignment factor which is intended to protect realignment programs from a loss of funding because of the gap. According to CSAC, the gap loss for Los Angeles County will be \$103.4 million for the base VLF and \$65.5 million for the realignment VLF for a total of \$168.9 million. However, because of the increase in the realignment factor, which will shift additional funds from the base or discretionary side to realignment for this year only, the County's discretionary amount will drop an additional \$35.2 million but the realignment amount will increase almost \$60 million with the balance of almost \$24 million coming from the cities' share of discretionary funds. As a result, the net loss to the County will be approximately \$145 million rather than \$168.9 million.

It should be stressed that the CSAC estimates are preliminary and based upon a Finance Department estimate that may not be fully realized. It remains to be seen whether historic patterns of early payments will persist in the face of a 200 percent rate increase. If VLF revenues do not increase in August through October as much as the Finance Department estimate assumes, the revenue loss to local governments will be greater than \$825 million and the County's loss will increase accordingly.

Finally, the gap loan, which is to be repaid by August 2006, will be interest free since the trailer bill establishing it does not provide for interest payments.

COPS – Juvenile Justice Funding Reduction

CSAC has released their preliminary estimate of the impact on counties of the reduction in funding for these two programs. The County's share will decline \$9.6 million compared to last year. The loss by department is \$4.6 million for Probation, \$4.5 million for the Sheriff and \$0.5 million for the District Attorney.

State Mandate "Relief"

The budget bill deals with over 80 State-mandated programs, deferring reimbursement for many (like last year) and suspending others that had been previously suspended. However, a number of mandates which had previously been deferred or only recently approved by the Commission on State Mandates but never funded have been suspended indefinitely, which means that the County will not be reimbursed if it continues to operate the program. The following are mandates that have been newly suspended for which the County will not be reimbursed if it continues the service in FY 2003-04: stolen vehicle notification, requirements for booking and fingerprinting misdemeanors, public disclosure of sex-offender information, treasurer investment report, information to residents of very high fire hazard severity zones, inmate AIDS testing, Pacific Beach Safety warnings and report, SIDS contacts by local health officers, SIDS training for firefighters, SIDS notices by Coroners, child abuse treatment services and case management, extended commitment of physically dangerous youths, notice of confidentiality to victims of sex crimes, sexual harassment and elder abuse training for law enforcement, and animal adoption.

My office is working with the Auditor to estimate the cost to the County of continuing each of these requirements or services and will report back as soon as the information is available.

Finally, there are three new mandates that have never been funded on which no action was taken: court-ordered photographic record of evidence, a hearing process for extending the commitment of mentally disordered offenders and health benefits for survivors of peace officers and firefighters. They are likely to be reconsidered when the Legislature returns from recess.

Department of Finance Reallocation Authority

The General Government Omnibus 2003-04 Budget Trailer Bill, AB 1756, contains a provision giving the Director of Finance limited authority to reallocate funds among appropriations within a department to adequately fund "critical" programs in the department. The authority is not nearly as sweeping as proposed by Senator Brulte in SB 150. Thirty days prior to taking action, the Director must notify the chairs of the

budget and appropriation committees, as well as the chair of the Joint Legislative Budget Committee.

Workers' Compensation Conference Committee Members Announced

Over the past week, the Senate and Assembly leadership have announced the conferees for the Workers' Compensation Conference Committee. The members of that committee are: Senate President Pro-Tem John Burton; Chair of the Senate Labor & Industrial Relations Committee, Richard Alarcon; Senator Chuck Poochigian; Assemblymember Fabian Nunez; Assembly Insurance Committee Chairman, Juan Vargas; and Assembly Insurance Committee Vice-Chair, Ken Maddox. It is expected that the Committee will hold at least two (probably more) public hearings in the last half of August. The hearings will likely be in Sacramento. Members of the Sheriff's Department, the County Risk Manager, and our Sacramento advocates have also held discussions with staff in the Governor's office on the County's workers' compensation priorities.

Status of County-Interest Legislation

County-sponsored SB 139 (Brulte), which makes clarifying changes to the "Safe Haven Law", to make it easier for a parent to surrender a newborn in a safe environment, was signed by the Governor on July 31, 2003, (Chapter 150, Statutes of 2003). The measure will be effective on January 1, 2004.

We will continue to keep you advised.

DEJ:GK
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c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities